in DTC's custody or control or for which it is responsible because all of DTC's risk management controls will continue in effect.

(B) Self-Regulatory Organization's Statement on Burden on Competition

DTC perceives no adverse impact on competition by reason of the proposed rule change.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

The proposed rule change has been discussed with several participants. Written comments from participants or others have not been solicited or received on the proposed rule change. In addition to informing participants through this notice and order, all participants will be informed of the proposed rule change by a DTC Important Notice.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Section 17A(b)(3)(F) of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.[5] The Commission believes that the proposed rule change is consistent with DTC's obligations under the Act because an increase in DTC's liquidity resources will help DTC protect itself, its participants, and investors from the risks associated with the failure of one or more of its participants to settle their obligation with DTC at the end of a business day. Furthermore, Commission approval of the rule change is consistent with the Commission's past approvals of increases in DTC's liquidity resources and maximum net debit cap.[6] Therefore, the Commission finds that DTC's proposed rule change is consistent with its obligations under Section 17A(b)(3)(F) of the Act.

DTC has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of filing for approving the proposed rule change prior to the thirtieth day after publication of the notice of filing. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice of filing because accelerated approval will permit DTC to immediately increase its liquidity resources.

[5] 15 U.S.C. 78q–1(b)(3)(F).

[6] *See, e.g.,* Securities Exchange Act Release No. 40330 (August 17, 1998), 63 FR 45100.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of DTC. All submissions should refer to File No. SR–DTC–2001–09 and should be submitted by August 1, 2001.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–DTC–2001–09) be, and hereby is, approved on an accelerated basis.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 01–17269 Filed 7–10–01; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44502; File No. SR–GSCC–2001–05]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Regarding a Participant Rebate Program

July 2, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on May 14, 2001, the Government Securities Clearing Corporation (''GSCC'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by GSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested parties.

[7] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The purpose of the proposed rule change is to initiate a participant rebate program that will distribute excess income pro rata back to members each calendar quarter based upon their gross fees paid to GSCC.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule

In its filing with the Commission, GSCC included statements concerning the purpose of and statutory basis for the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.[2]

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to initiate a participant rebate program that will distribute excess income pro rata back to members each calendar quarter based upon their gross fees paid to GSCC. The rebate program is immediately effective and the first rebate, if any, will be paid with respect to activity that took place during the second quarter of 2001.

GSCC states that there is no longer a need to continue to increase GSCC's level of shareholders' equity beyond a $30 million level since a sustained capital level of $30 million will be sufficient to provide for: (1) Adequate risk protection and (2) a cushion for temporary decreases in volumes and revenues. Moreover, GSCC expects that it will be able to fund all projects out of current revenues.

GSCC has structured the rebate program so that: (1) Rebates of excess net income will be made on a quarterly basis; (2) the amount of rebate provided to individual members will be based on

[2] The Commission has modified parts of these statements.

the amount of fees paid by the member to GSCC with respect to the calendar quarter (adjusted as appropriate for rebates, clearance charges, and other miscellaneous charges); (3) the amount of rebate for each of the first three calendar quarters of a year will be equal to 50 percent of accumulated net income; and (4) the rebate for the last calendar quarter of a year will be equal to 100 percent of the remaining excess net income for the year.

GSCC has the right to exclude or include, as applicable, anticipated expenses, losses, liabilities, and revenues from its calculation of excess net income. For example, GSCC has the discretion to reserve for development expenses and the costs of special projects.

GSCC believes that the proposed rule change is consistent with the requirements of Section 17A of the Act and the rules and regulations thereunder because it fulfills GSCC's mission of operating in a not-for-profit manner consistent with maintaining the integrity of GSCC's capital base, financial structure, and risk management process.

(B) Self-Regulatory Organization's Statement on Burden on Competition

GSCC does not believe that the proposed rule change will have an impact or impose a burden on competition.

(C) Self-Regulation Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments relating to the proposed rule change have not yet been solicited or received. Members will be notified of the rule change filing and comments will be solicited by an Important Notice. GSCC will notify the Commission of any written comments received by GSCC.

III. Debate of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing change establishes or changes a due, fee, or other charge imposed by GSCC, it has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act [3] and Rule 19b–4(f)(2) thereunder.[4] At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

[3] 15 U.S.C. 78s(b)(3)(A)(ii).

[4] 17 CFR 240.19b–4(f)(2).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549–0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at GSCC. All submissions should refer to the File No. SR–GSCC–2001–05 and should be submitted by August 1, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[5]

Margaret H. McFarland,

Deputy Secretary.

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[5] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–44495; File No. SR–GSCC–00–02]

Self-Regulatory Organizations; Government Securities Clearing Corporation; Order Approving a Proposed Rule Change Relating to the Enhancement of Risk Management Processes

June 29, 2001.

On April 17, 2000, the Government Securities Clearing Corporation (''GSCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–GSCC–00–02) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'').[1] Notice of the proposal was published in the **Federal Register** on January 9, 2001.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

[1] 15 U.S.C. 78s(b)(1).

I. Description

A GSCC's netting member's clearing fund requirement is based on a formula designed to take into account the three basic risks posed to GSCC by netting members. These risks include: (1) That a member might not pay a funds only settlement amount due to GSCC; (2) that a member may fail to settle a long-term repo; and (3) that a member might not deliver or take delivery of securities that comprise a net settlement position.

As a result, there are three components to each member's clearing fund deposit requirement with the sum of the three being a member's overall requirement. The three components are (1) the funds adjustment (FAD) component,[3] (2) the repo volatility component,[4] and (3) the receive/deliver settlement component.[5] GSCC computes four receive/deliver settlement amounts each day. The four results are compared daily, and the largest amount is used in determining a member's clearing fund requirement. The four receive/deliver settlement computations are as follows: (1) Post-offset margin amount (POMA);[6] (2) average POMA;[7] (3) adjusted

[2] Securities Exchange Act Release No. 43791 (January 2, 2001), 66 FR 1709.

[3] The funds adjustment component is based on each member's average funds only settlement amount. The relevant variable in this calculation is the size of the settlement amount. It does not matter whether the funds are to be collected from the member or paid to the member.

[4] The repo volatility component reflects the interest rate exposure incurred by GSCC in guaranteeing the contractual rate of interest on a repo transaction. The repo volatility factor essentially represents an estimate of the amount that repo market rates might change over the remaining course of the repo.

[5] The receive/deliver settlement component is based on the size and nature of net settlement positions. The margin collected on net settlement positions is determined by applying margin factors that are designed to estimate security price movements. The factors are expressed as percentages and are determined by historical daily price volatility. By multiplying security settlement values by their corresponding margin factors, GSCC estimates the amount of loss to which it is potentially exposed from price changes. Margin amounts on receive (long) and deliver (short) positions are allowed to offset each other. The extent to which an offset is allowed is determined by product and the degree of similarity in time remaining to maturity.

[6] The POMA computation offsets gains against losses in liquidating a member's positions that are anticipated based on historical experience. The POMA essentially is the total margin on the current day's positions and forward net settlement positions taking into account allowable offset percentages.

[7] The average POMA computation is based on the member's twenty highest POMA amounts occurring in the most recent 75 business days.